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**DELAWARE DEFERRED COMPENSATION COUNCIL MEETING**  
**MINUTES**  
August 25, 2009

A meeting of the Delaware Deferred Compensation Council was held on Tuesday, August 25, 2009 at 2:00 PM in the Treasurer's Office Conference Room, located at 820 Silver Lake Blvd, Dover, Delaware.

**Attendees:**

**Council Member:** Velda Jones-Potter, State Treasurer and Co-Chairperson  
Robert Scoglietti for Ann Visalli, Director of OMB  
Mitch Crane for Karen Weldin Stewart, Insurance Commissioner  
Thomas Cook, Acting Secretary of Finance  
Oliver Gumbs, Member at Large  
Thomas Hurley, Member at Large

**Others Present:** Nick Adams, Deputy State Treasurer  
Joshua Hitchens, Financial Investment Program Specialist  
Ann Marie Johnson, Deputy Attorney General  
Sean Campbell, Investment Consultant, Fidelity Investments  
Tim Ruggles, Senior Relationship Manager, Fidelity Investments

Velda Jones-Potter called the meeting to order at 2:05 PM. After introductions were made, the minutes from the May 5, 2009 meeting were approved as presented.

Fidelity Product Manager Tabitha Chapman and Fidelity Legal Consultant Rebecca Ethier gave a presentation via conference call to address questions regarding the managed account program. Deputy State Treasurer Nick Adams stated that he wanted to make sure that the managed account program did not constitute financial advice. Ms. Chapman stated that managed accounts would complement our current suite of services. She stated that this is discretionary management and legally is not advice. She further stated that guidance would be provided, not advice. The fiduciary for the program would be MCI. The State of Delaware would still control

the fund line up. Tim Ruggles of Fidelity Investments stated that The State of Delaware would be the fiduciary for the funds and Fidelity would be the Fiduciary for the management in the funds. Oliver Gumbs asked how many of our participants would use this service. Tim Ruggles answered by stating studies have shown that large amounts of funds can be a barrier. Tabitha Chapman stated that participants are looking for this service. She stated 75% of participants want help with their investment accounts. Nick Adams referred to a NAGDCA article stating that people do not make changes to their investment accounts and they do not use tools that are provided to them. It was further stated by Fidelity that no added risk for the State of Delaware would be involved. There would be no added responsibility by adding this service. Bert Scoglietti asked how the performance of the portfolios in the program would be benchmarked. Ms. Chapman responded that a composite of indices would be available on a quarterly basis. Deputy Attorney General Annmarie Johnson asked if we would need to amend our trust agreement. The answer to that question was – yes. Council Member Oliver Gumbs raised a concern about perception. State Treasurer Velda Jones-Potter asked if review of the customer profile is done by the employee. The answer was that the profile is participant driven. Nick Adams asked about fees related to the service. It was advised that fees could be as low as 35 basis points or as high as 65 basis points and typically the participant pays the fees. There would be no additional cost to the State of Delaware to implement the program. There would be no minimum number of participants to implement the program and participants could discontinue participation at will with no fee to discontinue the program. Treasurer Jones-Potter asked if further discussion was warranted. Secretary Cook stated he wanted the fees to be clearly disclosed to participants and he would like to see a list of entities currently using the service. Mr. Gumbs state he was not in favor of the program. He asked for a survey to be done, then explore the program further. Mr. Scoglietti also would like to see more regarding the cost and would like to see a list of which services would be available. Mr. Crane stated he would like to see more information. Treasurer Jones-Potter said she would like to confer with other states, conduct additional research and move cautiously.

Fidelity Investment Consultant Sean Campbell provided the investment review which looks at the performance of the Plan's funds in the core line-up. Mr. Campbell discussed the general state of the economy. He discussed the potential for inflation and stated it was a possibility. He states that the second quarter of 2009 was very positive.

Mr. Gumbs asked for suggestions regarding funds currently under review. Suggestions for the Large Cap Growth option were discussed. Mr. Gumbs asked to take a vote to replace the Fidelity Capital Appreciation Fund with the Harbor Capital Appreciation Fund. All council members were in favor of the motion to change this fund with no opposition.

Regarding the Mid Cap Growth option, Mr. Adams asked for comparison of the Morgan Stanley Institutional Trust: Mid Cap Growth Portfolio and the T. Rowe Price Mid-Cap Growth Fund to replace Alger Mid Cap Growth Fund. Mr. Adams asked whether we would like to be more conservative or aggressive. Mr. Crane stated he preferred a more conservative approach. Mr. Gumbs stated he did not mind a small amount of aggressiveness, and favors the Morgan Stanley

Institutional Trust Fund. Mr. Gumbs motioned to replace the Alger Fund with the Morgan Stanley Fund. Treasurer Jones-Potter, Mr. Scoglietti, and Mr. Gumbs were in favor of the replacement. Mr. Crane and Secretary Cook opposed. Per the majority, the Morgan Stanley Institutional Trust: Mid Cap Growth Portfolio will replace the Alger Mid Cap Growth Fund.

Regarding the Fidelity Value Fund which is also under review, an analysis was not available. It was agreed Mr. Campbell of Fidelity Investments would provide an analysis, as suggested by Mr. Gumbs. There were two recommendations, which were funds from Goldman Sachs and Janus that were of particular interest. It was decided to wait until the analysis from Mr. Campbell was received to make a decision on the replacement of the Fidelity Value Fund.

Treasurer Jones-Potter introduced oversight of the State of Delaware 403(b) Plan to the council. A proposal was introduced to grant full oversight of the 403(b) plan to the Deferred Compensation Council. The developments which have taken place over the last year were discussed. As a way to make the oversight of the 403(b) plan more manageable, and RFI was completed which reduced the number of vendors from over 100 to 14. Mr. Gumbs asked if the existing vendors would come under the oversight of the council. Treasurer Jones-Potter affirmed this and said that it has been discussed to further reduce the number of vendors through an RFP. Mr. Scoglietti asked if this falls under the legal code. Ms. Johnson stated yes, it is within statutory authority. Mr. Scoglietti stated his political concern. He asked whether expansion would require representation of the schools. He would like to have the issues relating to oversight addressed and suggested the schools could be invited to participate at meetings. Treasurer Jones-Potter would like to address the issue of oversight with consensus to seek input and participation from someone in the education arena. Mr. Gumbs volunteered to disseminate information as a school employee. Mr. Gumbs motioned for the council to oversee the 403(b) plan. Mr. Crane seconds the motion. There was not opposition to the motion. The motion to add oversight of the 403(b) plan to the deferred compensation council was carried.

Mr. Hurley asked about the adding an insured product to the 457(b) plan. Mr. Ruggles stated that he would follow up regarding this question.

Treasurer Jones-Potter adjourned the meeting at 4:03 p.m. The council will reconvene in early November, 2009.